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IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. The present report updates information on the financial situation of the United Nations provided in the Secretary-General's previous report on the subject as at 30 September 1996 (A/51/515), based on contributions received as at 30 November and revised projections to the end of December 1996.

II. STATUS OF CONTRIBUTIONS

2. At 30 November 1996, 97 Member States had paid their regular budget assessments in full, compared with 90 by the same date in 1995 and 72 in 1994. Nonetheless, outstanding regular budget assessments at 30 November 1996 totalled $697 million. Following payments received at the beginning of December, this figure is now $546 million - $393 million in respect of 1996 assessments and $153 million for prior years. Of the total amount due, 69 per cent was accounted for by contributions outstanding from the Member State with the highest rate of assessment.

3. Unpaid assessed contributions from all Member States to peacekeeping operations ($1.7 billion) and international tribunals ($8.3 million) totalled just over $1.7 billion.

4. Thus, at the end of November, the total of unpaid assessments due from all Member States amounted to $2.3 billion. This figure reflects a reduction of some $400 million from the position at the end of September. Nevertheless, it remains far too high for the financial health and viability of the Organization.

III. CURRENT CASH POSITION

5. The negative cash position of the combined General Fund (the regular budget, the Working Capital Fund and the Special Account) has grown from $119 million at the end of September to $328 million at the end of November. This cash deficit has accumulated despite a heartening effort by many Member States to meet their obligations to the United Nations, often in the face of serious economic problems.

IV. GENERAL FUND CASH FLOW PROJECTIONS

6. As anticipated, the cash position of the combined General Fund will remain negative to the end of 1996. In October, based on information from a number of Member States and past payment patterns, it was anticipated that contributions of approximately $300 million would be received in the final quarter of 1996. Based on more recent information, however, it is now expected that contributions will total just over $200 million during that period, about $100 million less than expected earlier.

7. As a result, the combined General Fund is now projected to end the year with a negative balance of $195 million, compared with the earlier estimate of a negative $103 million. This would mean no significant improvement had been achieved since 1995, when the corresponding negative figure stood at $198 million, and a substantial deterioration from the negative $26 million at the end of 1994 and the negative figure of less than $1 million at the end of 1993.

V. PEACEKEEPING CASH FLOW PROJECTIONS

8. As indicated in earlier reports, it must be emphasized that cash flow forecasts for peacekeeping operations are much more difficult to make than those for the regular budget. The timing and amount of peacekeeping assessments and the resultant effect on the predictability of receipts are much more volatile than is the case with the regular budget.

9. In the previous update, it was estimated that combined peacekeeping cash at 31 December 1996 would total $795 million. It is now projected to be $910 million, an increase of $115 million.

10. This increase of $115 million in estimated peacekeeping cash at 31 December 1996 is based on reductions in both projected receipts and outlays and is necessary in order to provide for the larger than expected cash shortfall under the regular budget.

11. Payments totalling $299 million have already been made to troop providers and an additional $51 million will be paid by the end of December, for a total of $350 million by the end of 1996, as was indicated earlier.

12. In addition, it had also been the Secretary-General's intention to make a special year-end payment to troop providers of $275 million - contingent on receipt by year-end of the full amount of $400 million expected from the Russian

Federation in 1996. Of that amount, $255 million was received by early December and the Russian Federation has stated that an additional payment of $50 million would also be made during December, thus bringing the total to $305 million. As a result of the lower total, the special year-end payment has been adjusted and will now be $200 million.

13. On the basis of current projections, the amount owed to Member States at the end of 1996 for troop and equipment costs is now estimated at $990 million. The increase from the earlier estimate of $700 million reflects, first, the $75 million shortfall in the special payment referred to above, and, second, a reassessment of the liability for contingent-owned equipment, especially for the United Nations Protection Force (UNPROFOR). The Secretary-General, however, remains committed to reducing this amount as much and as quickly as is prudently possible.

VI. CONCLUSION

14. Based on the assumptions included in the current projections, it is now forecast that the combined General Fund will show a cash deficit of $195 million at the end of 1996 and that combined peacekeeping accounts will have a positive balance of $910 million. The combined cash position of the Organization would thus be $715 million compared with the earlier estimate of $692 million.

15. The relative improvement in the outlook for the regular budget, projected at the time of the earlier report, has not been achieved. The Organization will still be obliged to resort to borrowing from peacekeeping accounts to maintain its basic operations. The projected level of this borrowing at 31 December is still such as to make it probable that the practice will have to continue to some degree in 1997. Not only is this inherently poor financial practice but the level of peacekeeping balances is quite likely to decline in the immediate future, depending on the level of new assessments to be approved by the General Assembly. At a time when all efforts should be focused on reform and renewal of the Organization, the continuing financial crisis undermines these efforts and distracts from the implementation of the programme priorities of Member States.

16. The overall financial situation of the Organization remains precarious. The amount of unpaid assessments at 31 December 1996 will still be far in excess of any reasonable amount for prudent financial management. It is now estimated that Member States will, on 31 December 1996, owe past due assessments of $2.3 billion to the United Nations and about 65 per cent of this amount will be owed by the Member State with the highest rate of assessment.

17. The Secretary-General wishes once more to record his appreciation for the efforts of many Member States to reduce the amounts owed to the United Nations and renews his appeal to all Member States to emulate the growing number that have made such efforts to meet fully their obligations to the United Nations.